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NSC WASHDC FOR MICHELLE GAVIN  
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TAGS: [ECON](#) [EFIN](#) [OVIP](#) [GH](#)  
SUBJECT: GHANA: OFF TO SEE THE WIZ

Classified By: Philip Cummings, Economic Chief, reasons  
1.4 (b) and (d)

Please see action request in para. 8.

¶1. (C) SUMMARY: Minister of Finance and Economic Planning Dr. Kwabena Duffuor will be leading a delegation of 10 from the Ministry of Finance and Economic Planning (MOFEP) and the Bank of Ghana (BOG) to the spring meetings of the World Bank and IMF in Washington, April 25-26. The minister discussed with the Ambassador his priorities at the World Bank and sought out USG assurances of support. We see Minister Duffuor's visit as an opportunity to support Ghana, arguably the strongest democracy in Africa, in its quest to make politically difficult economic reforms that will promote real future growth and enhance investor confidence in the country while the new NDC government is still new on the scene. In addition to a meeting being arranged with the Treasury Department's acting Assistant Secretary for International Affairs Andrew Baukol, the Mission suggests meetings within Stat with the acting EEB and AF Assistant Secretaries and the Deputy Secretary for Management and Resources. We are also pursuing meetings at the NSC. END SUMMARY

¶2. (C) Dr. Kwabena Duffuor, the Minister of Finance and Economic Planning, will be leading a delegation of 10 from MOFEP and the BOG (see para 9. for a draft list of participants) to the spring meetings of the World Bank Group and IMF in Washington. The delegation is scheduled to arrive in Washington on April 21. Duffuor requested a one-on-one meeting with the Ambassador this week to preview his priorities for the visit, and to request strong USG support for Ghana when it goes to the World Bank asking for budgetary assistance. NOTE: The GOG believes that with U.S. and UK support at the World Bank Board Meeting for Ghana's assistance requests, other members of the Board will fall in line. END NOTE.

THEY CAN'T SAY NO IF YOU DON'T ASK

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¶3. (C) Ghana's opening position is to seek a USD one to two billion standby facility from the World Bank. This is in addition to the USD 300 million in front-loaded funds the GOG could expect from the general SDR allocation proposed at the London G-20 Meetings. The IMF has estimated the GOG budgetary shortfall to be somewhere around USD 500 million in CY2009 (NOTE: The GOG fiscal year corresponds to the calendar year. END NOTE). Ghana's most pressing economic problems at the present are of a fiscal nature, which can be blamed on election cycle overspending by the previous NPP government, which the NDC defeated at the polls by about 40,000 votes.

¶4. (C) Duffuor, a U.S.-educated former central banker in the previous NDC government a decade ago, acknowledged that Ghana will have to accept significant conditionalities, even as he tries to maximize the amount of untied funding from Washington, the UK, EU, other bilateral development partners, and the International Financial Institutions (IFIs). Duffuor also is realistic that oil revenues, expected as early as 2010 (more likely by 2011), will not reduce the need to get Ghana's financial house in order. He noted that, although oil revenue will be helpful, it might not even supplant cocoa

exports as the top source of revenue. He recognizes the continuing importance of agriculture for his country's future economic growth.

#### A SEASON FOR TOUGH LOVE AND BITTER PILLS

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15. (C) COMMENT: The GOG's opening position may be unreasonably optimistic given the current global economic climate and the dearth of excess funds for non-concessional lending. The Minister's stance indicates he will be ready to bargain if necessary. However, it would be counterproductive for IFIs to extract punitive levels of conditionality from Ghana for its emergency assistance. Ghana is almost unique in Africa in that over sixteen years of democratic civilian rule, both major political parties have won elections and assumed power, and both parties have lost elections and peacefully handed over power. Opposition parties realize that they can have a turn at the wheel and if they do poorly in their constituents' eyes, they too will be voted out of office. This is a precedent we must support. Despite Ghana's fiscal vulnerabilities it is expected to post positive economic growth in 2009, possibly even as high as a torrid five percent. This is unheard of in the region and a rarity on the continent. We want to support the new NDC government as an example of what democratic institutions can achieve. Conditionalities should not punish the Ghanaian electorate for voting out of office the politicians who engaged in unsustainable public spending. Of course, the NDC must now be held accountable by its electorate for how it addresses Ghana's economic problems, but we need to help them do so successfully.

16. (C) COMMENT, CONTINUED: Conditionalities that require Ghana to make politically difficult, but economically necessary, structural reforms are the kind of tough love that will benefit Ghana in the long run. We can and should demand reasonable conditionalities, but we should do this with a positive and friendly tone. A reasonable dosage of IFI bitter medicine offers the GOG a golden opportunity to rein in its unsustainably large public sector wage bill. This resulted from a pre-election hiring binge and unrestrained promises by the education and health ministries to tie wage increases to inflation. Meanwhile, inflation has passed 20 percent in February 2009.

17. (C) COMMENT, CONTINUED: The GOG is already saddled with a budget full of non-discretionary spending on social security and health care expenditures. Duffuor has cut much of last year's election porkbarrel spending from the latest budget and committed to limiting the budget deficit to eight percent (septel). Conditionality at the right level will give the GOG the political cover to blame the IFIs for forcing budgetary decisions that are sure to be unpopular with key political constituencies like the public sector unions in the capital and rural communities along the central and western coast. If the GOG makes hard decisions now, it can perhaps recover in the polls in time for elections in four years. This is one of the best incentives the international community could offer to Ghana to reform its Balance of Payment and budgetary problems. President Mills was buoyed in advance of his 100-day mark by the timely telephone call by President Obama. A measure of support at the World Bank by Washington next week will help solidify our standing and position with the GOG as it undertakes the hard work of cleaning up its fiscal crisis. END COMMENT

18. (SBU) In consultation with the Department, Post suggests meetings that will provide Minister Duffuor's team with assurances of USG support for Ghana's longterm political and economic growth and stability. If possible the EEB and AF Acting Assistant Secretaries would be key interlocutors on bilateral measures, and Deputy Secretary for Management and Resources Lew regarding Departmental efforts at promoting stability during the global financial downturn. Treasury has confirmed a meeting on April 24 with Acting Assistant Secretary for International Affairs Andrew Baukol. We are also seeking an appointment at the NSC with Special Assistant to the President and Senior Director for African Affairs

Michelle Gavin.

THE A-TEAM

19. (U) According to MOFEP, the GOG delegation will consist of:

MINISTRY OF FINANCE AND ECONOMIC PLANNING

- Hon. Minister of Finance and Economic Planning Dr. Kwabena Duffuor

- Chief Director Nana Juaben-Boaten Siriboe

- Director, Policy Analysis and Research Division Mr.

Kwabena Oku-Afari

- Acting Director, Aid and Debt Management Division Ms.

Yvonne Quansah

- Head of World Bank Unit Mr. David Quist

- IMF Desk Officer Mrs. Nelly Mireku

BANK OF GHANA

- Governor Dr. Paul Acquah

- Director, Research Department Dr. Ernest Addison

- Special Assistant to the Governor Dr. Maxwell Opoku Afari

- Head of International Relations Mr. Yao Abolo

The delegation is slated to arrive in Washington on April 21 and depart on April 27. The GOG POC is Michael Ayesu, Advisor to Ghana's ED at the World Bank; phone: (202) 458-1087.

TEITELBAUM